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FEDERAL HIGHWAY ADMINISTRATION

National Quality Financial Management Initiative

Project Funds Management

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EXECUTIVE SUMMARY

This report presents recommendations from a nationwide review of unexpended obligations on Federal-aid highway projects with extended inactivity. In December 1997, the Department of Transportation's Office of the Inspector General (OIG) issued a management advisory to the Federal Highway Administration (FHWA) stating that "the 50 states, the District of Columbia, and U.S. territories had 23,500 complete and/or inactive projects with unexpended obligations totaling $4.0 Billion in December 1996." Based on data obtained from FHWA's Fiscal Management Information System (FMIS), the OIG concluded that FHWA and States kept excess funds obligated longer than needed on some of these projects.

In response to this advisory, and as part of FWHA's ongoing Quality Financial Management Initiative (QFMI), which seeks continuous improvement in Federal and State financial processes, FHWA established a nationwide review team. The review found many legitimate reasons for expenditure inactivity on some projects, however, the team did identify a number of complete and inactive projects where funds could be released and reprogrammed for other projects. The review concluded that FHWA and States could release additional funds and apply them towards eligible project costs through adoption of a nationwide performance goal and best practices for project funds management.

To reduce unexpended obligations, the team recommended that FHWA:

- Develop a threshold project amount for use in a performance goal
- Re-engineer FMIS reports to facilitate better project funds management; and
- Encourage Divisions to work with States to adopt appropriate best practices for project funds management.

FHWA will implement these recommendations in 1999.

BACKGROUND

In December 1997, the Department of Transportation's OIG issued a management advisory to FHWA regarding unexpended balances on complete and inactive highway projects.[1] The advisory stated that "the 50 States, the District of Columbia, and U.S territories had 23,500 complete and inactive projects with unexpended obligations totaling $4.0 Billion in December 1996." The OIG defined a complete project as a project that has been accepted by FHWA (Step P of the FMIS system) and an inactive project as a project with no expenditure activity for one year or more.

Based on data obtained from FHWA's FMIS system, the OIG concluded that FHWA and States kept excess funds obligated longer than needed. The OIG also concluded that "FHWA may have the opportunity to make more than $500 million of such unexpended funds available for other highway improvements," and that "FHWA can immediately transfer excess funds on complete and inactive projects to other eligible highway improvements in the same State unless the excess funds have lapsed..."

The OIG further recommended that FHWA:

(1) accurately account for unexpended obligations on all complete and inactive highway projects, and

(2) develop plans and procedures, including performance goals, for managing excess funds on complete and inactive highway projects.

In response to these recommendations, the Financial Management Division of FHWA's Office of Budget and Finance established a review team (participants listed in Appendix A) to examine unexpended balances on projects with extended inactivity. The team, composed of FHWA and State Department of Transportation (SDOT) representatives, was intended to address the concerns raised in the OIG report.

OBJECTIVES

The overall objective of the review was to ensure the most efficient and effective use of Federal funds. To fulfill this objective, and to respond to the OIG's concerns, the team identified the following goals:

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[1]U.S. Department of Transportation, Office of the Inspector General, *Management Advisory on Unexpended Obligations on Complete and Inactive Highway Projects: Federal Highway Administration,* Report Number TR-1998-045, December 11, 1997.

- Improve how FHWA's financial management systems report unexpended balances, and distinguish inactive or complete projects from projects with ongoing activity;
- Identify factors leading to increased balances on complete and inactive projects;
- Identify best practices and processes that can reduce the existing excess balances and prevent future balances; and
- Develop a nationwide performance goal to help States and Divisions improve funds management on Federal-aid projects.

SCOPE

In selecting States for in-depth review, the team capitalized on existing efforts by coordinating with recent, ongoing, and planned Financial Management Improvement Projects (FMIPs) related to project funds management. Accordingly, the new field work was performed from February through October 1998, although the review also incorporated results of completed individual FMIPs beginning in May 1997. The team visited or gathered information from 15 Divisions and States: California, Connecticut, the District of Columbia, Florida, Idaho, Indiana, Kansas, Maryland, Missouri, Nevada, New Jersey, Pennsylvania, South Dakota, Texas, and Washington.

METHODOLOGY

The team initially surveyed all 52 FHWA Division Offices and associated SDOTs to

(1) determine what Divisions and SDOTs considered to be an acceptable level of balances;

(2) determine what Divisions and SDOTs felt should be done to reduce their own balances; and

(3) identify best practices that reduced or prevented unexpended balances.

Following the initial survey, the team selected a smaller number of States for in-depth reviews, based on the unexpended balances on projects that had remained in FMIS Steps 6, 7, or P with no activity for one year or more, as of February 1998.[2]

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[2]The FMIS system includes eight step codes which are used to monitor project status. Step 6 indicates that physical construction has begun on the project; Step 7 indicates that construction is complete, but FHWA has not accepted the project. Step P indicates that FHWA has accepted the project, but the final voucher is pending, and the project has not been closed. These and other terms are defined in the glossary found in Appendix B.

Selection of Site Visits/In-Depth Reviews

The team ranked the States on six criteria that reflected the absolute amount of their unexpended balances, as well as the amounts relative to the size of their overall Federal-aid highway programs. The full criteria and selection methodology are included in the attached workplan (Appendix C).

Upon examining the rankings, the team observed that many of the larger States had higher balances -- both in absolute terms, and as a share of their overall program. The team initially hypothesized that some of the characteristics associated with larger States, such as larger numbers of partners, funding recipients, and funding sources, causes projects to remain in steps for a longer period of time. The rankings also showed that most smaller States had smaller absolute and relative balances. Since size appeared to be such a significant factor in the rankings, the team decided to consider size as another criteria. The team then selected a cross-section of large, mid-sized, and small States that were ranked relatively high or low on the criteria.

Review Procedure

For each review, team members interviewed Division and/or SDOT personnel to determine:

- Specific types of funds or projects that led to increased balances;
- Processes and procedures used to monitor inactive projects; and
- Recommendations for changes and improvements to FMIS or to FHWA or SDOT processes.

In addition, in seven States, judgment samples of specific projects were selected to identify monies that could be released and re-obligated elsewhere.

GENERAL OBSERVATIONS

Factors Limiting Potential Use of Released Funds

Project or Event-Specific Funds
Certain fund categories in the Federal-aid highway program, such as Emergency Relief (ER), Discretionary, and Demonstration/High Priority Projects, are project or event specific, and cannot be used for other projects in the same State. The OIG stated in its report that "FHWA can immediately transfer excess funds on complete and inactive projects to other eligible highway improvements in the same State unless the excess funds have lapsed." This is not the case for these categories of funds. Since improving funds management on these projects will benefit the program as a whole, the review team recommends that a FMIS report be created that will separate these types of funds.

Lapsed Funds
Lapsed funds can only be applied to projects initially funded with the same fund category, before the end of the fiscal year in which they are released. For older projects, it may be difficult to identify projects meeting these criteria.

Unexpended Balances Compared to Eligible Expenditures: Are These Funds Truly "Excess"?

Several SDOTs questioned labeling these unexpended balances of Federal funds as "excess funds," because the term "excess" implies that SDOTs receive more Federal-aid funding than they are able to spend, when SDOTs claim that their current expenditures are much greater than available Federal-aid funds. To evaluate this claim, the team compared accrued eligible expenditures on Federal-aid projects (termed "accrued unbilled costs" by most SDOTs) and advance construction of Federal-aid projects with unexpended balances on projects with no activity for one year or more. The table below shows these aggregate figures for the 15 review States.

Unexpended Balances as a Percent of Accrued Unbilled and Advance Construction, for all Projects in Steps 6, 7, or P with No Expenditure Activity for One Year or More as of September 30, 1998

No. of Review States	***Total Unexpended Balance***	***Total Accrued Unbilled Costs***	***Total Advance Construction***	***Balance as a % of Both***
15	**$1,848,838,340**	**$391,833,068**	**$2,714,844,593**	**59.5%**

On average, the unexpended balances represented only 59 percent of the accrued unbilled costs and amounts under advance construction. Assuming this is representative of all FHWA divisions, this statistic demonstrates that SDOTs have more than enough accrued unbilled costs and advance construction to absorb the total unexpended balance on complete and inactive Federal-aid projects. Therefore any unneeded funds released are not truly "excess" except to those specific projects, and the unexpended balances are not delaying new project starts.

OBSERVATIONS FROM IN-DEPTH REVIEWS

The team found legitimate reasons for unexpended balances on some projects with no expenditure activity for one year or more. In some cases, the team found that certain characteristics of FMIS caused projects to appear inactive, when in fact, work and expenditures were occurring. These characteristics are discussed in detail below. In other cases, circumstantial factors unique to each project, such as pending legal actions, led to delays in expenditures. In seven States, the team examined specific projects, and identified funds that could be re-programmed for other eligible projects.

Factors Leading to Increased Reported Balances

Multi-Funded Projects
Projects that are funded from multiple fund categories sometimes appear inactive even while expenditures are occurring because the current structure of FMIS allows separate projects for each fund category. For example, if a $10 million project were funded with $5 million of NHS apportionments and $5 million of STP apportionments, two projects would be entered into the FMIS system -- one for each apportionment category. In many States, initial expenditures could only be charged against the first project, making the other project appear inactive, although it would be associated with an active project. The restructuring of FMIS 4.0, to be implemented in FY 2000, will eliminate this reporting problem.

Pooled Fund Projects
Pooled fund projects, in which a number of SDOTs provide funding for a single project, may also appear inactive because each State's contribution appears as a separate project, and will only be expended as the funds are required. FHWA is currently working on alternative procedures that may eliminate this problem, including transferring all of the obligation limitation to a single State for monitoring and tracking.

FTA Fund Transfers
Several reviews found that projects in which FHWA funds are transferred to the FTA frequently show unexpended balances on projects with no recent activity. This occurs because of several factors. FTA transfers are not always phased; in many cases, the total transfer amount is obligated up front, in order to enact the transfer, not as needed for expenditures. FTA transfer projects are administered by FTA. Since they are not administered or overseen by FHWA, nor reimbursed through FHWA's current bill system, FHWA is not able to track recent expenditures on these projects. These funds are not actually excess since they will ultimately be used on transit projects. Recent changes to FHWA/FTA fund transfer procedures, mandated by the Transportation Efficiency Act for the 21st Century (TEA-21) may eliminate this reporting problem. Discussions are being held between FTA and FHWA staff to develop procedures for these fund transfers.

Delayed Billing by Partners
In some cases, railroads, utilities, local governments, non-profit organizations, and consultants do not submit bills for their expenditures to SDOTs on a timely basis. These funds are typically eligible expenditures that will eventually be reimbursed, and are therefore not truly "excess." However, some SDOTs have adopted time limits to encourage timely billing by these partners, thereby ensuring that funds do not remain unexpended for a long period of time after obligation. (See Appendix D, Best Practices, for more information).

Construction Design and Bid Letting Schedules
Some State laws and policies require SDOTs to have either Federal or State funds committed for a project before the project is put through the bidding process. In order to avoid delays in beginning this process, SDOTs may obligate the full amount of funds prior to the contract award. Because work cannot begin prior to the awarding of the contract, these policies increase the amount of time between obligation and the first expenditure on a project. If the bid comes in less that the amount obligated and the obligation is not decreased, this could lead to an excess balance. Some States require only that a project be put under advance construction prior to bid. This causes no increase in unexpended balances of obligated funds, because advance construction does not require any use of obligation limitation.

Projects Not Under Agreement
Another factor is the inability to bill projects that have not yet been placed under agreement. Prior to TEA-21, project authorization (and associated obligations) and project agreement were two separate steps in the FHWA process. If a project were authorized, but not put under agreement, expenditures on the project could not be reimbursed because projects must be under agreement in order to bill eligible costs to the project. Section 1305 of TEA-21 eliminated this problem by revising 23 U.S.C. 106 (a) by combining project agreement with project authorization.

Factors Leading to Increased Actual Balances

A judgment sample of complete and inactive projects was selected at seven of the States visited. In all seven States, releasable funds were identified.

Deferred or Withdrawn Projects
In some cases, funds remained obligated on projects that a decision had been made to use non-Federal funds or the project had been deferred until a later date. For example, one review discovered funds obligated for a traffic signal project initially authorized in 1985 that had already been completed with an alternative source of funding. As a result of the review, $85,711 was de-obligated and reprogrammed to another project.

Pending Final Costs
Funds are obligated on some projects for long periods of time pending determination of final project costs. This may be due to legal actions, contractor claims, or the resolution of right-of-way issued. For example, one project was authorized in August 1968 for $1.69 million for right-of-way acquisition. The project had acquired excess property and was not advanced from Step 6 because of future parcel sales and credits due FHWA. Thirty years later, the remaining balance of $937,367 was released. Changes authorized in TEA-21 can prevent this type of balance. Section 1303 of TEA-21 amended 23 U.S.C. Section 156 to allow States and local governments to retain the Federal share of net income from the sale or lease of real property acquired with Federal-assistance, as long as the funds are used on Title 23 eligible projects. Unexpended balances on these projects should be revised to reflect the estimated cost of the pending action. The projects may also be closed and later reopened if additional expenses are incurred.

Procedural Delays
Some funds remained obligated on projects due to procedural delays or mishaps. For example, a project was considered closed in the State records but FHWA had not received adequate documentation to close the project. The project was identified during the review and the project was closed and the unexpended balance released. A number of SDOTs are currently altering their project funds management processes to eliminate these kinds of delays. Some recommend separating financial closure of projects from the engineering and other non-financial requirements.

Note that it is important to distinguish between project closure activities and project funds management. Although closing all projects promptly will release unexpended balances, SDOTs with a backlog of complete, but open projects should maximize their efforts towards closing projects which would result in release of excess funds. To further this aim, the team recommends that FMIS reports used for funds management exclude projects with zero balances.

SELECTED BEST PRACTICES

The team collected a number of best practices from the Divisions/States reviewed. Although these practices may not be applicable to all States, due to differences in program size, structure, and State regulation, common approaches were found among States with the lowest unexpended balances. The full list of best practices is included in Appendix D. Three examples are briefly described below.

Formal Review/Project Monitoring Process for Federal Aid Funds

Several of the Divisions with the lowest unexpended balances had established a formal, ongoing monitoring process to examine unexpended obligations on projects. The more formal the monitoring process, the more successful the early identification and release of unneeded obligations. This process usually involves a formally organized group, separate from the project managers, which meet on a regular basis to identify unneeded obligations.

Specialized Training in Project Funds Management

The team found a direct correlation between project funds management training and the amount of unexpended balances on inactive projects. The State with the lowest unexpended balance has a core group of staff trained in project funds management. Training is provided to program and project staff on a recurring basis. Many of the States with higher balances, by contrast, experienced high staff turnover, which resulted in projects being overlooked.

Documentation of Project Funds Management Practices

Two SDOTs developed handbooks which document the State and Federal-aid program, and their project funds management process. This not only facilitates training and a formalized process; it also helps States and Divisions identify areas for improvement in existing procedures.

RECOMMENDATIONS

Develop a Threshold Project Amount for Use in a Performance Goal

FHWA should develop a FMIS report that will identify projects with unexpended funds and no activity for one year or more with a given threshold level of balances (for example, $200,000). This report will be used to identify and resolve situations where unexpended obligations remain inactive for extended periods of time. The threshold will also serve as a performance goal and each Division will be required to clear projects where the unexpended balances are above the threshold. Once this list of projects is cleared, another threshold level may be established (for example $100,000). This will be an on-going process.

Re-Engineer FMIS Reports to Facilitate Better Funds Management

Most review participants agreed that FMIS reports should be improved to facilitate funds management. Recommendations included:

- *Combine FMIS Steps 6, 7 and P into one report* -- many States do not use all step codes and with the implementation of FMIS 4.0, step codes will not be reflected on reports. This will simplify funds management efforts.

- *Eliminate any projects with an unexpended balance of zero* -- Closing these projects is important but will not improve funds management.

- *Develop a separate FMIS report which includes only project/event specific fund categories* -- such as ER, Discretionary, and Demonstration/High Priority Projects -- since these funds cannot be used for other projects in the same State, they should be monitored separately.

- *Develop a separate FMIS report for FTA transfer projects* -- Although FTA's projects are obligated by FHWA, they are administered by FTA and managed by local agencies; they do not represent project funds management responsibilities for SDOTs.

- *Develop a FMIS report that recognizes related multi-funded projects (separate appropriation codes)* -- This will eliminate reported inactivity due to a project being initially charged to a single appropriation code. FMIS 4.0 will implement this recommendation.

Encourage Divisions and States to Adopt Appropriate Best Practices

Each Division Office should meet with their respective SDOT to review the new FMIS report and discuss the possibility of developing a formalized method of monitoring Federal funds. Divisions and SDOT should review the best practices identified in Appendix D of this report to determine if any can be useful to them.

CONCLUSION

Although this review has shown that the unexpended balances for some projects are overstated (multi-funded) in the FMIS reports, and that legitimate reasons for some balances exist, FHWA agrees that project funds management can be improved. Through recommendations made in this report, FHWA will implement the OIG's two primary recommendations:

- Through establishing a nationwide performance goal and encouraging Divisions and SDOTs to adopt best practices, FHWA will develop plans and procedures for managing excess funds on complete and inactive highway projects.

- By improving FMIS, FHWA will be able to more accurately account for unexpended obligations on all complete and inactive projects.

APPENDIX A: REVIEW TEAM MEMBERS

Name	Affiliation/ Location	Phone
Debbie Anderson	Missouri Division	(573) 636-6196 ext.48
Tom Boyd	Florida Department of Transportation	(850) 921-7161
Audrey Davis	North Carolina Division	(919) 856-4039 ext. 119
TyAnn DeChambeau	California Division	(916) 498-5008
Sally Green	Maryland Division	(410) 962-4342 ext. 119
John Jeffers	Southern Resource Center	(404) 656-3481
Phyllis Jones	Headquarters	(202) 366-2854
Laura Kelly	Florida Department of Transportation	(850) 921-7161
Bruce Maney	Georgia Department of transportation	(404) 656-3481
Jennifer Mayer	Western Resource Center	(415) 744-2634
Dan Parker	Idaho Division	(208) 334-9180 ext. 121
Edward "Ned" Russell	New Jersey Division	(609) 637-4215
Amy Stancil	Georgia Department of Transportation	(404) 657-7031
Donna Voll	New Jersey Division	(609) 637-4220

APPENDIX B: GLOSSARY

Accrued Unbilled - Eligible project costs incurred by a State that cannot be billed to the FHWA because the costs are in excess of the amount obligated for the project.

Advance Construction - A technique which allows a State to initiate a project using non-federal funds while preserving eligibility for future Federal-aid funds. Eligibility means that FHWA has determined that the project technically qualifies for Federal aid; however, no present or future Federal funds are committed to the project.

Appropriation/Program Code - A number used to identify the source of funds for a Federal-aid project.

Authorization Date - The date FHWA obligates the money for a Federal-aid project. Project costs incurred before this date are generally ineligible for reimbursement.

Benchmark - A figure or statistic that is used to compare a State to other States, or to a standard.

Current Bill - The bill that States send to FHWA to be reimbursed for expenditures made on Federal-aid projects.

Expenditure (Outlays) - An electronic transfer of funds to a State for voucher payment.

Fiscal Management Information System (FMIS) - The program used by FHWA to track the obligations, expenditures, and statistical project data.

Obligation - an obligation is made at the time FHWA approves the project except in the case of advance construction.

Obligation Limitation/Obligational Authority (OA) – Fiscal year limitation on use of apportioned or allocated funds. Each State receives an individual obligation limitation that sets an overall limit on the apportioned or allocated funds that may be obligated in that fiscal year.

Preliminary Engineering - Preconstruction activities for a highway project, including design, alignment, and other studies.

Project Managers - The individual responsible for the overall management of a particular Federal-aid project.

Right-of-Way - any real property, or interest therein, acquired, dedicated, or reserved for the construction, operation and maintenance of a highway.

Step 6 - The phase of a project, as designated in FMIS, when construction or design is under way.

Step 7 - The phase of a project, as designated in FMIS, when the final inspection is done and the project is awaiting final acceptance by FHWA.

Step P - The phase of a project, as designated in FMIS, when it has been accepted by FHWA and the final voucher is pending.

Unexpended Balance - The difference between what has been obligated for a Federal-aid project and what has been reimbursed to the State.

APPENDIX C: PROJECT FUNDS MANAGEMENT FMIP WORKPLAN

1. INTRODUCTION

Monitoring the types and level of funds assigned to projects is the responsibility of both States and the Federal Highway Administration (FHWA). FHWA's Quality Financial Management Initiative (QFMI) places emphasis on improving Federal and State financial and related processes through adoption of the best business practices and enhancement of financial management Systems.

2. BACKGROUND

The U.S. Department of Transportation's Office of Inspector General (OIG) issued a Management Advisory on Unexpended Obligations on Complete and Inactive Highway Projects in December 1997. This report stated that the FHWA and the States kept excess funds obligated longer than needed. As a result of this report, the FHWA Financial Management Division has initiated a nationwide Financial Management Improvement Project (FMIP), reviewing unexpended obligations on projects with extended inactivity and addressing the concerns raised in the report. The OIG has recommended that FHWA (1) accurately account for unexpended obligations on all complete and inactive highway projects, and (2) develop plans and procedures, including performance goals for managing excess funds on complete and inactive highway projects.

3. OBJECTIVES

To develop benchmarks and identify best practices, procedures, and processes for monitoring unexpended balances of Federal-aid projects and to help ensure the most efficient and effective use of Federal funds.

4. SCOPE OF REVIEW

The team will focus on unexpended balances on projects that have remained in FMIS Steps 6, 7, or P with no activity for one year or more.

Using FMIS data for projects in Steps 6,7, and P for one year or more, the team initially ranked all States, the District of Columbia, and Puerto Rico, on the following six criteria:

- Total obligations for projects under agreement;
- Total unexpended balance for projects under agreement;

- Total unexpended balance for projects not under agreement;
- Total unexpended balance of funds for projects, both under agreement and not under agreement;
- Unexpended balance as a percent of project obligations, for projects under agreement; and
- Total unexpended balance as a percent of FY 97 obligation limitation.

Upon examining the rankings, the team discovered that many of the larger States had the highest balances, as would be expected, given their relative size. Even when factoring in the size of the program by considering these balances as a percentage of each State's annual obligation limitation, larger States still had higher obligations and unexpended balances for projects in Steps 6,7, or P with no activity for one year or more. The team initially hypothesized that some of the characteristics associated with larger States, such as larger numbers of partners, funding recipients, and funding sources, causes projects to remain in steps for a longer period of time. The rankings also showed that many smaller States had smaller absolute and relative balances.

Because size appeared to be such a significant factor in the rankings, the team decided to consider size as another criteria. The team divided the States into large, mid-sized and small programs, based on the following criteria:

Relative Program Size	FY 97 Obligation Limitation
Large	$400 million or greater
Mid-Sized	$120 million to $400 million
Small	Under $120 million

The team then selected a cross-section of large, mid-sized, and small States. In selecting States, the team decided to capitalize on existing efforts by coordinating with recent, ongoing, and planned FMIPs related to project funds management. This will eliminate the need for additional site visits or reviews, while ensuring that the findings of each FMIP are incorporated into the nationwide study. In addition, several team members will be conducting FMIPs in their own Division offices.

The table below shows the selected States, broken down by size.

STATE	RECENT, ONGOING, OR PLANNED FMIPS	SIZE
Delaware		Small
District of Columbia		Small
Nevada		Small
Idaho	Project Funds Management FMIP, 2/98	Small
South Dakota		Small
Georgia	Response to OIG Report	Mid-sized
Connecticut	Project Funds Management FMIP, 2/98	Mid-sized
Tennessee		Mid-sized
Arkansas	Project Funds Management FMIP, 2/98	Mid-sized
Kansas		Mid-sized
Washington		Mid-sized
New Jersey	Project Funds Management FMIP, 1997	Large
New York	Response to OIG Report	Large
Pennsylvania		Large
Florida		Large
Texas		Large
California	Response to OIG Report	Large
Missouri	Project Funds Management FMIP, 2/98	Large
Indiana		Large

APPENDIX D:

BEST PRACTICES

1. Evaluate and redefine audit requirements and policies. In an attempt to reduce the time projects remain open and inactive while a final audit of costs is performed, several SDOTs have been reviewing and redefining their audit policies. Using historical data on the number of audits completed in a given period of time, dollar amounts of audit findings, etc. the SDOT determined new dollar thresholds and other criteria for performing an audit on a project. Agreements between the Division Office and the SDOT allows for the project to be closed prior to completion of the audit. Adjustments to project costs, resulting from any audit finding(s) are made by reopening the project.

2. Separate Engineering and Fiscal documentation requirements. After the report on the National Financial Management Improvement Project (FMIP), "Federal-aid Project Closure and Final Voucher Process" was issued in November 1993, several SDOTs initiated reviews of their documentation and certification requirements to determine which items were delaying the closing of projects. Some SDOTs took guidance from the FMIP report and established policies that separate the financial requirements from the engineering requirements and limits document submission to only those required by the Code of Federal Regulations. Final vouchers are submitted and processed as soon as final costs are known (final Contractor Payment Estimates, final invoices, etc.) and not delayed because of construction monitoring and other non-financial requirements.

3. Authorize projects and place them under agreement at the same time. Section 1305 of TEA-21 amended 23 U.S.C. 106(a) and combined authorization of work and execution of the project agreement for a Federal-aid project into a single action. States utilizing this option have seen a reduction in the number of inactive projects with Preliminary Engineering which are not moved forward to Construction.

4. Use the same project number for Utility adjustments and ROW acquisition which is used for the construction phase. Utility adjustments and ROW acquisitions are assigned the same project number as the construction phase of the project which allows for better tracking of the project status and identification of any outstanding utility invoices.

5. Develop and utilize an electronic project tracking system. Project Tracking systems, are being used by both the Division and SDOTs to record information and monitor the status of projects. The databases are shared by both agencies to reduce data input, validate information and document reasons for delays. The systems store vital project information which includes ROW and environment dates, authorization date, authorized amounts, inspection dates, Federal and State reference numbers and other comments important to the project.

6. Establish formal process. SDOTs have found that adopting formalized Project Funds Management processes can improve funds management, and have developed written procedures for managing inactive projects, and closing out complete projects. These written guidelines are also a useful tool in training new employees. SDOTs have also made a commitment to ongoing

training, which establishes continuity, and avoids problems that develop due to high turnover or employee absences.

7. Assign Responsibility. Several SDOTs have established joint (FHWA and SDOT) committees or teams to monitor inactive projects and initiate actions to release excess Federal obligations and/or resolve issues which may delay a project's closing. Others have initiated periodic funds management reviews, and/or assigned a person (part-time or full-time) to review inactive projects.

8. Include contract clauses for timely invoices. Some SDOTs are including clauses in their contracts which require final invoices on a project be submitted within a specified time limit after the work has been completed. This requirement has been especially beneficial in speeding up their receipt of billings on certain types of contracts, i.e., railroad, consultant, utility, etc. which have been historically difficult to obtain. Several SDOTs have also established an internal policy that a project must be closed within a specific length of time after the final invoice is processed or federal funds will be withdrawn and any additional charges must be paid with non-federal funds.